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The Honorable John L. McClellan  
Chairman, Committee on Expenditures  
in the Executive Departments  
United States Senate  
Washington 25, D. C.

Dear Mr. Chairman:

Your letter of 26 October 1950 requests information to be furnished you by 1 December 1950 to assist the Committee in its responsibility to evaluate the effects of laws enacted to reorganize the Executive Branch of the Government. Particular information is requested concerning the Central Intelligence Agency Act of 1949 (Public Law 110, 81st Congress), as well as certain general legislative enactments.

The Central Intelligence Agency Act of 1949 pertains particularly to the Agency's procurement authorities, travel, quarters allowances and related expenses, the Agency's general administrative authorities, and the expenditure of funds. The intent of the Act was to improve the administration of CIA, to protect the confidential aspects of the Agency's functions (set forth in Section 102 of the National Security Act of 1947), and to develop a career service in the field of intelligence. In your recent report No. 2581, "Action on Hoover Commission Reports", it is noted that the work of the Central Intelligence Agency has been improved as a result of legislative and administrative action. The legislative action has greatly facilitated the administrative improvements, and without it the proper functioning of the Agency would have been impossible.

Because of the nature of the Agency's activities, I am sure you will understand that it is impossible to give a detailed public report of the type which you request while still maintaining

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essential security. There are, however, certain things which can be set forth which may be of some assistance to you.

Prior to the passage of the Central Intelligence Agency Act of 1949, CIA was administered under laws and regulations of general application and without specific authority for necessary expenditures. These authorities were inadequate to serve the special needs of an intelligence agency. Consequently, administrative officials were required continually to resolve legal and other obstacles by makeshift arrangements in order to provide the necessary services. Public Law 110 provides specific administrative authorities for our special needs, and includes basic authority for expenditure of funds, eliminating the requirement for re-enactment each year of language specifying expenditure authorities. It, thus, provides the flexibility and security for operations necessary for an intelligence organization.

The direct financial savings that have been realized cannot be ascertained precisely in dollars and cents. The Central Intelligence Agency is a comparatively new agency still in the process of development. But the Act has enabled simplification and increased efficiency of administration, which means that the cost of administration is far less than it would have been otherwise.

Action has been taken to carry out all the provisions of the law and to issue appropriate regulations required by the Act. Categories covered include (1) procurement, (2) education and training, (3) travel, allowances and related expense which, in an intelligence agency, cover many complex problems incidental to foreign and domestic travel not common to most government agencies, (4) medical services program, (5) budgetary and accounting controls which are particularly necessary because of the Agency's comparatively broad latitude in the application of appropriated funds, (6) personnel, and (7) other general authorities usually set forth in appropriation language.

In addition, a continuing management survey and analysis is maintained in an effort further to increase efficiency and to

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reduce administrative personnel and costs to a minimum.

As pointed out in our letter to you of 18 July 1949, the Central Intelligence Agency was exempted from the provisions of the Federal Property and Administrative Services Act of 1949, and we have also been exempted from its subsequent amendments. This exemption was granted to meet our special problems in the field of procurement and services. Because of the nature of our work, special procurement channels and methods must be followed to maintain security. However, we utilize the services of the General Services Administration in all of its fields, and have adopted their procedures wherever feasible. In view of the very recent passage of the Budget and Accounting Procedures Act of 1950, we are unable to state finally what effect it will have on this Agency. However, CIA officials are studying the Act and conferring with representatives of the General Accounting Office, the Bureau of the Budget, and the Treasury Department concerning the budgetary accounting and reporting procedures best suited for the needs of this Agency. Our budget presentation has always been made on the basis of a performance budget. While this Agency has also been exempted from the provisions of the Classification Act of 1949, we have followed standard government classification procedures as well as grade structures throughout.

Sincerely yours,

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WALTER B. SMITH  
Director

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Management Officer  
Services Officer  
Personnel Director  
General Counsel